



ORGANISATIONAL, MANAGEMENT AND CONTROL MODEL

pursuant to art. 6, paragraph 3,
of Italian Legislative Decree no. 231 of 8 June 2001
*Legislation on the administrative liability of legal persons,
companies and associations also without a legal personality*

Approved by the Board of Directors on 20/11/2019

CONTENTS

DEFINITIONS	3
ANNEXES:.....	4
Structure of the document	5
GENERAL PART	6
A. ITALIAN LEGISLATIVE DECREE NO. 231 of 8 JUNE 2001	6
1. Characteristics and nature of legal persons' liability	6
2. Types of offences identified by the Decree and by subsequent amendments	6
3. Criteria for holding an entity liable	7
4. Offences committed abroad.....	9
5. Indications provided by the Decree regarding the Organisational, Management and Control Model	9
6. Sanctions imposed on the entity	10
6.1. Financial sanctions	10
6.2. Prohibitory sanctions	10
6.3. Confiscation.....	11
6.4. Publication of the conviction.....	11
7. Changes to the entity	11
B. THE MODEL ADOPTED BY MITSUBISHI ELECTRIC KLIMAT TRANSPORTATION SYSTEMS S.p.A.	13
1. Purposes of the Model	13
2. The key elements of the Model	13
3. Mitsubishi Electric Group Conduct Guidelines	14
4. Code of Ethics	14
5. Adopting the Model.....	14
6. Relevant offences for the Company	15
7. Changes and updates to the Model.....	16
8. Mitsubishi Electric Klimat Transportation Systems S.p.A.	17
8.1. The Company's corporate governance system.....	17
9. Provision of intra-group services.....	18
9.1. Services provided to Group companies	18
9.2. Services provided by Group companies to the Company	18
10. Addressees of the Model and of the Code of Ethics	19
11. Supervisory Board	19
11.1. Role.....	19
11.2. Appointment and termination of Supervisory Board members.....	20
11.3. Eligibility requirements	22
11.4. Powers and duties of the Supervisory Board.....	23
11.5. Information flows from and to the Supervisory Board	25
11.5.1. Information flows sent by the Supervisory Board.....	26
11.5.2. Reports and information flows sent to the Supervisory Board.....	26
11.5.3. Reporting any issues.....	26
12. Disciplinary system	29
12.1. General principles.....	30
12.2. Relevant conduct and assessment criteria	30
12.3. Sanctions and disciplinary measures	31
13. Communication and training	35

DEFINITIONS

Susceptible activities: Company activities involving even only the potential risk of one of the offences referred to by the Decree being committed.

Instrumental activities: Company activities/processes that may potentially be instrumental in one of the offences referred to by the Decree being committed.

Personal Data Protection Authority: the personal data protection authority [in Italian: ‘Autorità Garante per la Privacy’] is an administrative authority whose responsibilities are defined by EU Regulation no. 2016/679 and by the Italian Personal data protection code (Italian Legislative Decree no. 196 of 30 June 2003), which was aligned with the provisions of EU Regulation no. 2016/679 through Italian Legislative Decree no. 101 of 10 August 2018, as well as by a number of other Italian and international legal acts.

Independent Supervisory Authorities: The Personal Data Protection Authority (in Italian: ‘Garante Privacy’), Antitrust authorities, Authority for the Supervision of Public Works, etc.

Parent company: Mitsubishi Electric Corporation - the operating company whose objective is to exercise its right to provide strategic guidance and to coordinate and control the companies that it directly or indirectly controls, as well as to establish their corporate governance system. It also provides centralised services (e.g. IT, etc.) and represents a centre of expertise for all Group companies.

CCNL: the ‘Contratto Collettivo Nazionale di Lavoro’ (national collective bargaining agreement) currently in force and applied by the Company.

Collaborator: individuals/entities that work with the Company in various ways (e.g. external lawyers, etc.)

Consultants: individuals/entities that act in the name and/or on behalf of the Company on the basis of a collaboration agreement or mandate.

Code of Ethics: the in-house code that is prepared, approved and adopted by the Board of Directors, containing the set of ethical principles and rules of conduct that must be followed by anyone working for or with the Company.

Italian Legislative Decree no. 231/2001 or ‘Decree’: Italian Legislative Decree no. 231 of 8 June 2001, “Legislation on the administrative liability of legal persons, companies and associations also without a legal personality” and subsequent amendments and integrations.

Addressees of the Model: the individuals/entities identified in Section B, Chapter 10, of the General Part of this Model, who are obliged to comply with the provisions stated therein.

Employees: Anyone with an employment or temporary employment contract.

Public body: a body: (i) with a legal personality; (ii) established to specifically satisfy non-industrial or commercial requirements that are in the general interest; (iii) alternatively, majority-funded by the government, local authorities or other public law entities, or whose management is controlled by the latter (including the appointment of more than half of the members of the governing body, management body or supervisory body). Purely by means of example, ‘public bodies’ may include:

- State administrations: Government, Parliament, Ministers, Ordinary Courts and Court of auditors, consulates and embassies, prefecture, police headquarters, etc.;
- Local authorities: regions, provinces, municipalities;
- Local health organisations [in Italian: ‘ASL’];
- Higher institute for workplace health and safety [in Italian: ‘ISPESL’];
- Regional environmental protection agencies [in Italian: ‘ARPA’];
- Provincial Labour Directorate [in Italian: ‘DPL’];
- Labour Inspectorate;
- Social security institutions (INPS, INAIL);
- Customs Agency;
- Revenue Agency;
- Italian Society of Authors and Publishers [in Italian: ‘SIAE’];
- Law enforcement (state police, Carabinieri military police, anti-adulteration units, fire brigade, finance police, etc.).

Public service provider: “anyone who carries out a public service, in any capacity”, meaning an activity governed in the same way as a public function, but without the typical powers of a public function (art. 358 of the Italian Penal Code).

Confindustria guidelines: guidelines for creating organisational models pursuant to Italian Legislative Decree no. 231/2001 issued by Confindustria’s working group on the administrative liability of legal persons, approved in March 2002, and subsequent updates.

Model: Organisational, Management and Control model pursuant to Italian Legislative Decree no. 231/2001.

Company bodies: the Company's board of directors and board of statutory auditors.

Supervisory board: the internal control board, in charge of overseeing the correct functioning of and compliance with the Model, as well as seeing to the relative updates.

‘PA’ or ‘Public administration’: all government departments, including institutes and schools of all levels and state educational institutions, companies and administrations that are independent, regional authorities, provinces, municipalities, mountain communities and their consortia and associations, university institutions, independent council housing institutes, the chambers of commerce, industry, crafts and agriculture and their associations, all non-economic public bodies in Italy (regional and local), administrations, companies and organisations forming part of the national health service.

Partner: the Company's contractual counterparties, such as suppliers and distributors (that may be natural persons or legal persons), with whom the Company enters into any form of collaboration governed by a contract (temporary association of companies, consortia, collaboration agreements in general).

Public official: anyone who “carries out a legislative, judicial or administrative public function” (art. 357 of the Italian penal code).

Relevant offences for the Company: the offences stated by Italian Legislative Decree no. 231/01 that are deemed to potentially apply to the Company and are described in Section B, Chapter 6, of the General Part of the Model.

Company or MEKT S.p.A.: Mitsubishi Electric Klimat Transportation Systems S.p.A.

Group companies: companies that are directly or indirectly controlled by Mitsubishi Electric Corporation pursuant to art. 2359, paragraphs 1 and 2, of the Italian Civil Code.

Senior individuals: people who represent or hold a governing or management position in the Company or in one of its financially and operationally independent units, as well as people who manage or control the Company, also de facto.

Subordinate individuals: people who are subject to the management or supervision of a senior individual.

Italian consolidated law on workplace health and safety: Italian Legislative Decree no. 81 of 9 April 2008, concerning implementation of article 1 of Italian law no. 123 of 3 August 2007 on workplace health and safety.

The Company’s top management: The Board of Directors, Chair of the Board of Directors and the Company’s Chief Executive Officer

ANNEXES:

- A) Self-assessment risk matrix and gap analysis
- B) Code of Ethics, approved by the Board of Directors on 20/11/2019
- C) List of procedures

Structure of the document

This document is made up of a General Part and a Special Part and analyses the provisions contained in Italian Legislative Decree no. 231/2001; as such, this document provides guidelines on how MEKT S.p.A. shall adopt the Model, the relevant offences for the Company, the addressees of the Model, the Company's Supervisory Board, the disciplinary system in the case of any breaches, the obligations to disclose the Model and staff training.

The second part indicates the susceptible activities for the Company pursuant to the Decree (i.e. the activities that are at risk of an offence being committed), the general principles of conduct, the preventive measures for the aforementioned activities and the essential checks to ensure the prevention and mitigation of offences, to be reflected in the Company's operating procedures and practices, ensuring the latter are suitable for preventing offences from being committed.

In addition to the provisions stated below, the following also form an integral part of this document:

- the list of susceptible activities identified as part of the risk and control self-assessment, available from the Company's records and reported in the individual sections of the Special Part of this document;
- the Code of Ethics, which defines the Company's principles and standards of conduct;
- all provisions, in-house measures and the company's acts and operating procedures that implement this document. These acts and documents are made available in accordance with the procedures provided for their disclosure within the Company.

GENERAL PART

A. ITALIAN LEGISLATIVE DECREE NO. 231 of 8 JUNE 2001

1. Characteristics and nature of legal persons' liability

In order to implement EU legislation concerning the fight against corruption, Italian Legislative Decree no. 231 of 8 June 2001 introduced and governs the administrative liability of collective entities deriving from an offence; up until 2001, said entities could only be called upon to jointly pay the fines, penalties and administrative sanctions imposed on their legal representatives, directors or employees.

Generally speaking, this kind of liability for entities is mixed in nature and is unique in the sense that it combines aspects of both the penal system and the administrative system. The entity can be punished with an administrative sanction, as it is held responsible for an administrative offence, but the disciplinary system is based on criminal procedure: the public prosecutor is responsible for charging the company with the offence, while the criminal courts impose the relative sanction.

The administrative liability of an entity is separate and independent from the administrative liability of the natural person who committed the crime, and can exist even if the person who committed the offence has not been identified, or if the offence has ceased to exist for a reason other than amnesty. In any case, the entity's liability is always in addition to the liability of the natural person who commits the offence, and never replaces the latter.

The Decree has a wide scope of application and regards all entities with a legal personality, companies, associations even without a legal personality, economic public bodies and private entities appointed to carry out a public service. However, this legislation is not applicable to the government, local authorities, non-economic public bodies and entities that carry out duties of constitutional significance (for example, political parties or trade unions).

2. Types of offences identified by the Decree and by subsequent amendments

Entities may be held liable within the limits stated by the law. The first and essential limit is represented by the limited number of offences for which the entity can be held liable (so-called **predicate offences**).

Entities may only be held liable for the offences - so-called predicate offences - indicated in the Decree or, in any case, in a law that came into force before the offence was committed.

Predicate offences include a range of very different offences, some of which are typical of company activities, while others refer to the activities of criminal organisations. The list of offences has been extended compared to the one originally included in the Decree when it was first issued, and, as at the date of this Model being approved, predicate offences belong to the below categories :

- **OFFENCES COMMITTED AS PART OF RELATIONS WITH THE PUBLIC ADMINISTRATION** (articles 24 and 25 of the Decree)
- **COMPUTER CRIMES AND UNLAWFUL DATA PROCESSING** (art. 24-*bis*, introduced by Italian law no. 48 of 18 March 2008)
- **ORGANISED CRIME** (art. 24-*ter*, introduced by Italian law no. 94 of 15 July 2009)
- **OFFENCES INVOLVING THE COUNTERFEITING OF CURRENCY, LEGAL TENDER, DUTY STAMPS AND IDENTIFICATION INSTRUMENTS OR DISTINCTIVE SIGNS** (art. 25-*bis* of the Decree, introduced by Italian Decree Law no. 350 of 25 September 2001)

- **CRIMES AGAINST INDUSTRY AND COMMERCE** (art. 25-*bis*.1 introduced by Italian law no. 99 of 23 July 2009)
- **CORPORATE OFFENCES** (art. 25-*ter* of the Decree, introduced by Italian Legislative Decree no. 61 of 11 April 2002)
- **CRIMES FOR THE PURPOSES OF TERRORISM OR THE SUBVERSION OF DEMOCRACY** provided for by the Italian penal code or by special laws, and crimes committed in breach of article 2 of the International Convention for the Suppression of the Financing of Terrorism, signed in New York on 09/12/1999 (art. 25-*quater* of the Decree, introduced by Italian law no. 7 of 14 January 2003).
- **FEMALE GENITAL MUTILATION** (art. 25-*quater*.1 of the Decree, introduced by Italian law no. 7 of 9 January 2006)
- **CRIMES AGAINST THE INDIVIDUAL** (art. 25-*quinquies* of the Decree, introduced by Italian law no. 228 of 11 August 2003)
- **MARKET ABUSE** (art. 25-*sexies* of the Decree and art. 187-*quinquies* of the TUF - *Italian Consolidated Law on Financial Intermediation* -, introduced by Italian law no. 62 of 18 April 2005)
- **MANSLAUGHTER OR SERIOUS OR VERY SERIOUS PERSONAL INJURY CAUSED BY BREACHING WORKPLACE HEALTH AND SAFETY REGULATIONS** (art. 25-*septies* of the Decree, introduced by Italian law no. 123 of 3 August 2007, as amended by Italian Legislative Decree no. 90 of 25 May 2017)
- **HANDLING, LAUNDERING OR USING ASSETS, MONEY OR BENEFITS OF UNLAWFUL ORIGIN, AS WELL AS SELF-LAUNDERING** (art. 25-*octies* of the Decree, introduced by Italian Legislative Decree no. 231 of 21 November 2007)
- **CRIMES RELATING TO COPYRIGHT INFRINGEMENT** (art. 25-*novies* introduced by Italian law no. 99 of 23 July 2009)
- **INCITEMENT NOT TO MAKE DECLARATIONS OR TO MAKE FALSE DECLARATIONS TO THE JUDICIAL AUTHORITIES** (art. 25-*decies*, introduced by Italian law no. 116 of 3 August 2009)
- **ENVIRONMENTAL CRIMES** (art. 25-*undecies*, introduced by Italian Legislative Decree no. 121 of 7 July 2011, transposing Directives 2008/99/EC, 2009/123/EC and 2005/35/EC)
- **EMPLOYMENT OF ILLEGALLY STAYING THIRD-COUNTRY NATIONALS** (art. 25-*duodecies*, introduced by Italian Legislative Decree no. 109 of 16 July 2012, transposing Directives 2008/99/EC, 2009/123/EC and 2005/35/EC)
- **RACISM AND XENOPHOBIA** (art. 25-*terdecies*, introduced by Italian law no. 167 of 20 November 2017)
- **FRAUD AT SPORTING COMPETITIONS, ILLICIT GAMBLING OR BETTING AND GAMBLING USING FORBIDDEN MEANS** (art. 25-*quaterdecies*, introduced by Italian law no. 39 of 3 May 2019)
- **TRANSNATIONAL OFFENCES** (art. 10 of Italian Law no. 146/2006)

The entity's administrative liability also applies if one of the offences listed is only **attempted**, as provided for by art. 26 of the Decree.

3. Criteria for holding an entity liable

In order for an entity to be sanctioned pursuant to Italian Legislative Decree no. 231/2001, not only must it have committed one of the predicate offences, but other legislative requirements must also be met. This additional criteria for holding an entity liable can be broken down into "objective" and "subjective" criteria.

The **first objective criterion** refers to whether the crime has been committed by a party linked to the entity through an official relationship. In this regard, a distinction is made between:

- **those holding a «senior position»:** those who represent the entity or hold a governing or management position therein, such as the legal representative, directors or the director of an independent business department, as well as people who run the entity, even only de facto. These are individuals who effectively have the autonomous power to make decisions in the name and on behalf of the company. This category also includes any individuals appointed by the directors to run or manage the company or its secondary offices;
- **«subordinate» individuals:** anyone subject to the management and supervision of people in a senior position. In addition to employees, people who are not members of the entity's staff may also be included in this category, whom are entrusted to carry out a task under the management and supervision of senior individuals: for example, collaborators, promoters, agents or consultants, who, based on a mandate granted by the company or on a contractual relationship, act in the name or on behalf of the entity or in its interest.

The **second objective criterion** states that the offence must have been committed in the interest or to the benefit of the entity. 'In the interest of' or 'to the benefit of' are alternative concepts and it is sufficient for one of the two to exist.

An '**interest**' is when the person committing the crime acted with the intention of favouring the company. Whether or not an 'interest' exists is assessed *ex ante*, when the criminal activity takes place, and this is therefore regardless of whether or not the entity has actually been favoured by the conduct of the person committing the offence.

A '**benefit**' exists when the company has obtained, or could have obtained, a positive financial or other kind of result from the offence. This condition is assessed *ex post*, after the offence has been perpetrated.

The entity shall not be held liable, on the other hand, if the offence has been committed against its interest or in the sole interest of the person who committed the offence or of third parties.

The entity shall be held liable not only if it has obtained an immediate financial benefit from the offence being committed, but also if the offence was carried out in the company's interest, even if no such benefit was actually obtained. Improving market positioning or concealing a financial crisis are examples of cases in which the company may obtain a benefit without, however, receiving an immediate financial advantage. It is also important to highlight that, if an offence is committed by qualified persons belonging to a group company, then the concept of 'interest' may also unfavourably be extended to the parent company. The Court of Milan ruled that the aspect characterising a 'group interest' lies in the fact that said interest cannot be classed as only referring exclusively to one of the members of the group, but rather is shared by all its members (ruling dated 20 December 2004). It is therefore stated that also the parent company may be charged for an offence committed by a controlled company, where the natural person who committed the offence - also as an accessory - holds a functional role with said company.

Subjective criteria for holding an entity liable refer to the preventive measures taken by the latter in order to avoid one of the offences provided for by the Decree from being committed as part of its business activities. In fact, the Decree states that the entity may only be excluded from liability if it can prove:

- that the management body has adopted and effectively implemented **organisational, management and control models able to prevent the type of crime that has been committed**, before the offence was actually perpetrated;
- that the task of overseeing the functioning of and compliance with said models, and ensuring they are duly updated, has been entrusted to a board with independent decision-making and supervisory powers (**Supervisory Board**, as referred to by Section B, Chapter 11, of the General Part);
- that the Supervisory Board has sufficiently carried out its supervision work (and that said Supervisory Board has autonomous decision-making and control powers as required).

The aforementioned conditions must be met in order for the entity's liability to be excluded.

The Model can be used as grounds not to be found guilty whether the predicate offence is committed by a senior individual or by a subordinated individual, with a number of clarifications being provided in this regard. In fact, the Decree is very strict when it comes to proving the entity's innocence if the offence has been committed by a person in a senior position. In this case, the entity is presumed to be liable, unless said entity can prove that, in addition to adopting and implementing an effective prevention Model, the senior individual who has committed the offence did so by fraudulently circumventing the Model. In short, it is necessary to prove that the offence was committed without the entity having any possibility to control it.

In the event of offences committed by subordinate individuals, the entity may instead only be held liable if it is proven that the offence was made possible due to a failure to comply with management or supervision obligations; in any case, the entity shall not be held liable if, before the offence was committed, it had adopted an organisational, management and control model able to prevent the type of crime in question. Offences committed by subordinate individuals represent an organisational fault: the entity indirectly allows the offence to be committed by not sufficiently supervising the activities and individuals at risk of committing a predicate offence.

4. Offences committed abroad

Pursuant to art. 4 of the Decree, the entity may be held liable in Italy for predicate offences committed abroad.

However, the Decree subjects this eventuality to the following conditions, which are of course in addition to those already described:

- the general admissibility conditions provided for by articles 7, 8, 9 and 10 of the Italian penal code are met, regarding the possibility of prosecuting offences committed abroad in Italy;
- the company has its main headquarters in Italy;
- the country where the offence has been committed does not take any action against the entity.

5. Indications provided by the Decree regarding the Organisational, Management and Control Model

The Model is a set of principles, monitoring tools and rules of conduct that govern the organisation and management of the company, for the precise purpose of preventing and managing the risk of offences being committed. The Decree does not describe the nature and characteristics of the Model in detail, but rather provides a number of general principles and minimum content requirements.

The Model can only provide 'immunity' from liability if:

- it is effective, i.e. **if it is reasonably able to prevent the offence or offences that have been committed;**
- it has been effectively implemented, i.e. if the content of the Model is actually applied as part of the company's procedures and within the internal audit system.

With regard to the effectiveness of the Model, the Decree states that the latter must have the following minimum content:

- identification of the company's activities that are susceptible to offences being committed;
- specific procedures aimed at planning training and implementing the company's decisions, in relation to the offences to be prevented;
- definition of the procedures to manage financial resources that are suitable to prevent offences from being committed;

- introduction of a disciplinary system that is able to impose a sanction for any failure to comply with the measures indicated in the Model;
- definition of obligations to provide the Supervisory Board with information;
- definition of suitable measures to ensure that the business is run in compliance with the law and to discover and promptly eliminate any situations of risk, in relation to the nature and size of the organisation, as well as the type of activity carried out.

The Decree also states that it is necessary to **regularly check** the Model and to **update or review** it if any of its provisions are significantly breached or if there are any changes to the organisational and company structure or to the activities carried out.

6. Sanctions imposed on the entity

An entity held liable for a predicate offence may be condemned to four types of sanctions, which differ in terms of their nature and how they are imposed:

- financial sanctions;
- prohibitory sanctions;
- confiscation;
- publication of the conviction.

All sanctions indicated in the Decree are administrative in nature, despite being applied as part of criminal proceedings. The sanctions imposed by the Decree are very severe, especially considering that the prohibitory sanctions may seriously limit the normal activities of the business, preventing the entity from carrying out a number of economic activities.

Administrative sanctions may only be imposed on the entity up until the fifth year from when the offence was committed, unless the limitation period is interrupted.

6.1. Financial sanctions

Financial sanctions are **always** applied in the case of **conviction**. Financial sanctions are calculated using a “quota”-based system. The size of the financial sanctions depend on the seriousness of the offence, the extent to which the entity is liable and the activities carried out to eliminate or mitigate the consequences of the offence or to prevent new offences from being committed. Individual sanction amounts vary from a minimum of € 258.00 up to a maximum of € 1,549.00, depending on the entity's P&L and balance sheet position.

Financial sanctions may be reduced if - alternatively - the person who committed the offence mainly did so in his/her own interest or in the interest of third parties and the entity has not obtained a benefit or a *minimum benefit*, or if the damage caused is *relatively limited*.

Only the entity shall be obliged to pay the financial sanction, using its own assets or its own common fund. The Decree therefore excludes the shareholders or members of a collective entity from being held directly liable with their own assets, regardless of the legal form of said entity.

6.2. Prohibitory sanctions

Prohibitory sanctions may only be applied **in addition** to financial sanctions if this is expressly provided for in relation to the offence for which the entity has been condemned, and only if at least one of the following conditions are met:

- the entity gained significant profit from the offence and the offence was committed by a person in a senior position, or by a subordinate individual if this was made possible by serious organisational faults;
- if an offence is repeated.

The prohibitory sanctions stated by the Decree are as follows:

- a ban on carrying out activities;
- suspension or withdrawal of the authorisations, licences or concessions involved with the offence being committed;
- a ban on entering into contracts with the Public Administration, with the exception of using a public service;
- exclusion from allowances, loans, grants or subsidies and the potential withdrawal of any already issued;
- a ban on promoting goods or services.

Although these sanctions may be exceptionally applied with permanent effect, prohibitory sanctions are normally temporary, lasting between four and seven years (if the offence has been committed by a person in a “senior position”), or between two and four years (if the offence has been committed by a “subordinate” individual), and specifically refer to the entity’s activities to which the offence refers. These may be applied as a precaution, before a conviction, upon the request of the public prosecutor, if there is strong and reasonable evidence of the entity’s liability and there are substantial elements pointing to there being a real risk of similar offences to the one already committed being further perpetrated.

6.3. Confiscation

The value or gain generated by the offence, or assets or other benefits of an equivalent value, are always confiscated when the entity is convicted. The ‘gain’ from the offence was defined by the United Chambers of the Italian Court of Cassation (see Italian Criminal Court of Cassation, United Chambers, 27 March 2008, no. 26654) as being the financial benefit directly and immediately arising from the offence, that is concretely calculated net of any actual gain for the damaged party as part of a possible contractual relationship with the entity; the United Chambers also specified that this definition must exclude any type of corporate parameter, meaning that the gain cannot be identified as the net profit generated by the entity (unless the entity is in receivership, as provided for by legislation). The Court of Naples (ruling dated 26 July 2007) also deemed that the concept of ‘gain’ must also include any failure to reduce assets due to missing payments of costs that the entity should have incurred.

6.4. Publication of the conviction

This sanction involves the one-off publishing of all or part of the conviction in one or several newspapers indicated by the judge, with the relative expenses being borne by the entity, or the conviction being publicly displayed in the Municipality where the entity has its main headquarters.

7. Changes to the entity

The Decree also specifies how the entity is to be held liable in the case of **transformations, mergers, spin-offs** and **transfers**.

As a general rule, the legislator has adopted civil-law principles regarding the fact that a transformed entity is to be held liable for the debts of the original entity; this means that prohibitory sanctions are

to be borne by the entity that still holds (or that has received) the branch of activities in relation to which the offence was committed.

If an entity is **transformed**, it shall still be held liable for any offences committed before the transformation took effect. The new entity shall therefore be subject to any sanctions applicable to the original entity, in relation to offences committed before the transformation.

In the event of a **merger**, the entity that is created as a result, also as part of a merger by incorporation, shall be held liable for any offences for which the entities taking part in the merger were responsible. If the merger is completed before the entity's liability is ascertained, then the judge must take the financial conditions of the original entity into consideration, and not those of the entity resulting from the merger.

In the event of a **spin-off**, the spun-off company shall remain liable for any offences committed before the date when the spin-off takes effect, and the beneficiaries of the spin-off shall be jointly and severally obliged to pay the financial sanctions imposed on the spun-off entity, within the limits of the shareholders' equity value transferred to each single entity, unless this is an entity to which the branch of activities in relation to which the offence was committed has been even only partially transferred; prohibitory sanctions shall apply to the entity (or entities) where the branch of activities in relation to which the offence was committed remains or has been transferred. If the spin-off is completed before the entity's liability is ascertained, then the judge must take the financial conditions of the original entity into consideration, and not those of the entity resulting from the spin-off.

If the **company is sold or transferred**, with regard to the activities in relation to which the offence has been committed, the transferee shall be jointly and severally obliged with the transferor entity to pay the financial sanction, without prejudice to the benefit of discussion that may be exercised by the transferor company; this payment shall be made within the limits of the value of the transferred company and within the limits of the financial sanctions recorded in the compulsory accounts, or of which the transferee was nonetheless aware.

In any case, prohibitory sanctions shall apply to the entities where the branch of activities in relation to which the offence has been committed remains or has been transferred.

B. THE MODEL ADOPTED BY MITSUBISHI ELECTRIC KLIMAT TRANSPORTATION SYSTEMS S.p.A.

1. Purposes of the Model

By adopting this document, the Company intends to duly comply with legislation and the fundamental principles of the Decree, as well as to improve and make its internal audit and existing corporate governance system as efficient as possible.

The main objective of the Model is to create an organic and well-structured system of principles and control procedures aimed at preventing the offences stated in the Decree from being committed, to the extent that this is possible and feasible. The Model will be integrated with the Company's governance system and will implement a process to spread a corporate culture based on fairness, transparency and legality.

The Model also has the following purposes:

- to provide adequate information to employees and those acting based on a mandate from the Company, or those who are linked to the Company by significant relationships as defined by the Decree, with regard to the activities that involve a risk of the offences being committed;
- to spread a corporate culture based on legality, as the Company condemns any conduct that does not comply with the law or its internal regulations, and in particular the provisions contained in its organisational model;
- to spread an audit culture;
- to implement an effective and efficient organisation of business activities, particularly focusing on the decision-making process and transparency, ensuring appropriate preventive and subsequent checks are in place and correctly managing both internal and external information;
- to implement all the necessary measures to eliminate any situations where there is a risk of offences being committed, as quickly as possible.

2. The key elements of the Model

MEKT S.p.A.'s Organisational Model is made up of a number of key elements that are all linked. These derive from how the Company's management runs the business and, as such, they are integrated into the Company's daily management processes. The key elements making up the Model are:

- the Mitsubishi Electric Group Conduct Guidelines, which state the values and ethical principles at global level for all companies belonging to the Group;
- the Code of Ethics, which defines the Company's principles and standards of conduct to be adopted in Italy;
- the risk self-assessment aimed at identifying the Company's 'susceptible activities', which is understood to be fully integrated herein;
- all **provisions, in-house measures** and the company's acts and **procedures** that implement this document. These acts and procedures can be found on the company's intranet.

3. Mitsubishi Electric Group Conduct Guidelines

The Company intends to comply with the corporate policy principles indicated in the *Mitsubishi Electric Group Conduct Guidelines*, which represent an important point of reference on how to apply the Company's values on a global scale.

These Guidelines have been adopted by the Parent Company on a global basis and apply to everyone who works for MEKT S.p.A., with the latter being obliged to respect the standards of conduct and policy requirements stated in said Conduct Guidelines.

This document is based on six principles:

- compliance with the law;
- respect for human rights;
- social responsibility to benefit social progress;
- co-operation and harmony with the community;
- respect for the environment;
- awareness of personal integrity.

4. Code of Ethics

As already mentioned, MEKT S.p.A. aims to work in accordance with clear ethical principles and, to this end, it was deemed appropriate for the Company to adopt its own Code of Ethics; said document clearly states the standards and principles that form the basis of fair and transparent interaction between the Company and its stakeholders. The Code of Ethics therefore represents an important disciplinary tool for the Company's activities.

Adopting ethical principles, in relation to conduct that may constitute the possible offences provided for by Italian Legislative Decree no. 231/2001, forms the basis of a preventive monitoring system.

The Code of Ethics is like the Company's "constitutional charter", defining the principles and rules of conduct to which MEKT S.p.A. is committed vis-à-vis its stakeholders (customers, suppliers, employees, collaborators and partners, etc.) and based on which it intends to develop trust-based relationships. The Company's Code of Ethics is also based on the corporate policy principles defined at group level by the parent company and contained in the *Mitsubishi Electric Group Conduct Guidelines* referred to by chapter 3 above.

The Code of Ethics was adopted through the resolution passed by the Board of Directors on 20/11/2019 and is periodically re-confirmed when the Organisational Model is approved.

The Code of Ethics has been provided to all collaborators and is available on the Company's website and intranet.

The Code of Ethics is fully referred to herein and forms the fundamental basis for the Model, the provisions of which integrate its content.

5. Adopting the Model

In accordance with the provisions of the Decree, the Company adopted its own organisational, management and control model through a resolution passed by the Board of Directors. Said governing body is solely responsible for adopting this document and for its subsequent amendments.

This Model is also based on the guidelines issued by Confindustria (version dated 21 July 2014) on how to create an organisational, management and control model pursuant to Italian Legislative Decree no. 231 of 8 June 2001, and has been drawn up taking into account the Company's structure and the activities it actually carries out, as well as its reference market and the nature and size of its organisation. The Company completed a preliminary analysis of its corporate context and then went on to analyse the areas of activities with potential risk profiles, in relation to the offences indicated

by the Decree. More specifically, the following areas were analysed: the Company's history, corporate context, sector of reference, organisational chart, existing corporate governance system, system used to delegate powers and issue mandates, legal relationships in place with third parties, also with reference to the service contracts governing intra-group relationships, operations and the practices and procedures that have been formalised and shared internally within the Company in order to carry out said operations.

In order to draw up this document, the Company therefore:

- identified any susceptible activities, i.e. any areas in which the predicate offences indicated by the Decree may potentially be committed, by interviewing the heads of the Company's various departments, analysing the Company's organisational chart and the system used to allocate responsibilities;
- carried out a risk and control self-assessment concerning the likelihood of an offence being committed and the ability of the internal audit system to detect unlawful conduct;
- identified adequate control measures, necessary to prevent the offences referred to by the Decree or to mitigate the risk of them being committed, whether pre-existing or to be implemented in the company's operating procedures and practices.

With regard to potential manslaughter and causing serious or very serious personal injury by violating accident prevention regulations (art. 25-septies of the Decree), the Company analysed its business context and all the specific activities it carries out, as well as assessing the related risks based on the results of inspections carried out pursuant to Italian Legislative Decree no. 81/2008 and special legislation in this regard.

This document represents an internal set of regulations for the Company and is binding upon it.

6. Relevant offences for the Company

The Model has been drawn up taking into account the Company's structure and the specific risks deriving from the activities that it actually carries out, as well as the nature and size of its organisation. Taking these parameters into consideration, the Company considers the following to be relevant predicate offences:

- offences committed as part of relations with the Public Administration (articles 24 and 25);
- computer crimes and unlawful data processing (art. 24-bis);
- organised crime (art. 24-ter)
- offences involving the counterfeiting of currency, legal tender, duty stamps and identification instruments or distinctive signs (art. 25-bis);
- corporate offences (art. 25-ter);
- manslaughter or serious or very serious personal injury caused by breaching workplace health and safety regulations (art. 25-septies);
- handling, laundering or using money, assets or benefits of unlawful origin, as well as self-laundering (art. 25-octies, as amended by Italian Legislative Decree no. 90 of 25 May 2017);
- crimes relating to copyright infringement (art. 25-novies);
- incitement not to make declarations or to make false declarations to the judicial authorities (art. 25-decies);
- environmental offences (art. 25-undecies);
- employment of illegally staying third-country nationals (art. 25-duodecies);

- transnational offences (art. 10 of Italian Law no. 146/2006).

With regard to the remaining categories of predicate offences stated in the Decree, it was deemed that the Company's risk profiles were not such as to provide a reasonable basis to believe that such offences would be committed in the interest or to the benefit of the Company, considering the main activities carried out by the Company, its social-economic context and the legal and economic relationships that it usually establishes with third parties. In this regard, these risks are nonetheless guarded against, as the Company has included appropriate principles of conduct in its Code of Ethics, which compel addressees to comply with the fundamental values of solidarity, respect for others, morality, fairness and legality.

In the Special Part of this document, the Company's 'susceptible' activities are defined based on the intrinsic risk of the offences listed herein being committed; prevention principles and procedures are provided for each of said susceptible activities.

The Model shall nonetheless be promptly integrated or modified by the Board of Directors, also following a proposal from, and in any case after consulting with, the Supervisory Board, whenever there are:

- changes in legislation, such as new offences being introduced and/or existing offences being altered;
- changes to the way in which the Company carries out its activities;
- other situations as described in Chapter 7 below ("Changes and updates to the Model").

7. Changes and updates to the Model

The Company's Board of Directors is solely responsible for adopting and making changes to the Model.

The Model must always be promptly amended or integrated, through a resolution passed by the Board of Directors, if:

- any of the provisions contained herein have been breached or circumvented, revealing its relative ineffectiveness or inconsistency for the purposes of preventing the offences referred to in the articles identified in the previous chapter;
- changes have been made to sensitive areas to reflect changes in legislation (e.g. new predicate offences being included in the Decree) or changes have been made to the Company's organisation or business (e.g. new operational areas being introduced);
- new procedures and/or operating protocols have been adopted or changes have been introduced that significantly affect the internal audit system;
- other governance tools have been adopted pursuant to the Decree (e.g. code of ethics, procedures, changes to the disciplinary system).

If "non-substantial" changes to the Model become necessary (e.g. clarifications being provided in relation to the text) that do not alter the structure of the preventive checks or that relate to reorganisation processes and at-risk activities being subsequently reassigned or that are strictly formal in nature, then the Chair of the Board of Directors may make these changes autonomously, having consulted with the Supervisory Board (as referred to by Chapter 11 below). The remaining members of the Board of Directors shall then be informed of these changes at their next meeting.

It is, on the other hand, forbidden for any company department to autonomously make any changes whatsoever to the Model, as only the Board of Directors is responsible for this or, potentially, also the Chair of the Board of Directors, within the limits stated above.

The Supervisory Board, as referred to by Chapter 11 below, must promptly report any need to change or update the Model to the Chair in writing. In this case, the Chair shall call a meeting of the Board of Directors so it can pass the resolutions falling under its responsibility.

If the operating procedures used by the Company to implement the Model prove to be ineffective for the purpose of preventing the offences, then they shall be modified by the company departments in charge, based on their proposal and having consulted with the Supervisory Board, which must express its opinion.

8. Mitsubishi Electric Klimat Transportation Systems S.p.A.

Mitsubishi Electric Klimat Transportation Systems S.p.A. was created following the merger between Mitsubishi Electric Corporation and Klimat-Fer S.p.A.

Since 2005, Klimat-Fer had combined the experience and skills of two historic Italian companies, Klimat S.p.A. and Elettromeccanica Fer Ferrara Srl., in a single brand.

Thanks to its consolidated leadership position in Italy, Klimat-Fer had held a position of authority in the European market for a long time, completing extremely important and prestigious projects regarding the manufacturing and sale of air-conditioning systems and equipment to be used for cross-country rail transport, underground trains and trams.

According to article 3 of its articles of association, the main objects of Mitsubishi Electric Klimat Transportation Systems S.p.A., incorporated on 08/07/1968 and enrolled with the companies register of Padua on 26/02/2007 under no. 00224120287, are as follows:

- the construction, design and sale of refrigeration and air-conditioning equipment in general and their components;
- the sale, both directly and through representatives, and the manufacturing of industrial products relating to the transport sector;
- installation, maintenance and assistance for industrial systems and equipment;
- hygiene-health sanitisation of air/water;
- the design of air treatment systems that are compatible with the environment and users' health;
- checks into the effectiveness and efficiency of air treatment systems;
- the decontamination and sanitisation of air treatment systems and channels using environmentally friendly products;
- monitoring, analysing and certifying the sanitisation of environments and systems;
- certification of design and functioning requirements for air treatment units;
- certification of the microbiological quality of the air in closed environments and of equipment and things in general.

8.1. The Company's corporate governance system

The term "corporate governance" describes the general management approach used by the management to run and monitor the entire organisation, using a combination of information management and hierarchical management of the supervision structure.

Through its articles of association, the Company has adopted the so-called "traditional" governance system.

The Company's articles of association provide for the following Company Bodies:

- the Shareholders' Meeting (a body whose only role is to pass resolutions on the issues that legally fall under its responsibility, i.e. the most significant decisions in the company's life, excluding responsibilities for running the company);

- the Board of Directors (in charge of the strategic supervision and management of the company);
- the Board of Statutory Auditors (whose role is to supervise the running of the Company).

Strategic supervision refers to defining the company's policies and objectives and making sure they are duly implemented.

Management consists of running the company's operations in such a way as to achieve said strategies.

The role of strategic supervision and management, referring to the running of the company, is held by the Board of Directors and the bodies it delegates.

The supervisory role refers to checking whether governance activities are duly carried out and whether the Company's organisational and accounting structures are adequate.

This role is held by the Board of Statutory Auditors, the independent audit firm and the Supervisory Board.

9. Provision of intra-group services

For the purposes of the provisions in this chapter, the 'Group' shall refer to the Parent Company and the other companies directly or indirectly controlled by the latter.

9.1. Services provided to Group companies

When carrying out services for other Group companies, with reference to the susceptible activities indicated in the Special Part of this Model, the Company complies with the provisions stated by the Model and with the procedures in place for its implementation, in addition to the Code of Ethics.

Any service provision that may involve at-risk activities and operations, as referred to by the Special Part of this Model below, must be governed by a written contract.

Upon request, the list of contracts signed by the Company is made available to the Supervisory Board. Service provision contracts must state:

- the obligation of the company receiving the service to certify that all documentation or information provided to the Company is accurate and complete, for the purposes of carrying out the requested services;
- that the Company's Supervisory Board has the power to request information from the Supervisory Board of the company receiving the service or, should this not be present, from the company departments in charge, in order to correctly carry out its duties in relation to the provision of services being requested from the Company;
- that the Supervisory Board of the company receiving the service has the power to ask for information from the Company's Supervisory Board, where present, or, if necessary and subject to providing due notification thereof, from the Company's departments, in order for it to correctly carry out its supervisory activities.

9.2. Services provided by Group companies to the Company

Any services provided by Group companies to the Company that may involve at-risk activities and operations, as referred to by the Special Part of this Model below, must be governed by a written contract.

Upon request, the list of contracts signed by the Company is made available to the Supervisory Board. Service provision contracts must state:

- the Company's obligation to certify that all documentation or information provided for the purposes of receiving the requested services are accurate and complete;
- that the Company's Supervisory Board has the power to ask for information from the Supervisory Board of the company providing the service or, if it does not have one, from the departments of the company providing the service, in order to correctly carry out its supervisory activities;
- that the Supervisory Board of the company providing the service has the power to ask for information from the Company's Supervisory Board, where present, or, if necessary and subject to providing due notification thereof, from the Company's departments, in order for it to correctly carry out its supervisory activities.

Contracts must state that the Group company requested to carry out a service must have its own Model or, if it does not, it must have specific monitoring procedures that are suitable to prevent the relevant offences for the Company from being committed, with reference to the activities carried out in favour of the Company.

10. Addressees of the Model and of the Code of Ethics

This Model applies:

- to senior people or people in senior positions, or anyone who holds a management, governance or supervisory role in the Company or in one of its autonomous departments, such as members of the Board of Directors (the legal representative, the directors), the Chief Executive Officer, the director of an autonomous department or individuals appointed by the Directors to carry out management activities for the entity;
- to employees of Group companies that are temporarily working at the Company's offices with a management, governance or supervisory role in the Company or in one of its autonomous organisational units;
- to subordinate individuals belonging to the Company, or anyone who is subject to the management and supervision of senior individuals (e.g. employees), including anyone who works with the Company based on a temporary employment contract or internship.

All addressees are obliged to take the utmost care to comply with the provisions contained in the Model and the procedures introduced to implement it, also fulfilling their duties of integrity, fairness and diligence that come with the legal relationships established with the Company.

Those, on the other hand, who work based on a mandate issued by the Company, or on the latter's behalf, or who work in the interest of the Company with reference to the susceptible activities referred to in the Special Part below and who have fully independent decision-making and organisational powers outside of the management and supervision of the entity in question (e.g. freelance workers, collaborators, partners, consultants, attorneys, service providers, suppliers of goods, contractors or subcontractors), must undertake to respect the Code of Ethics and must also commit to comply with the Decree. This provision is included in dedicated contractual clauses, stating that the contractual relationship in place shall be terminated in the case of any breach.

The Company condemns any conduct that goes against the law, the provisions of the Model or of the Code of Ethics, even if said conduct was in the interest of the Company or with the intention of gaining a benefit for the Company.

11. Supervisory Board

11.1. Role

In accordance with article 6, first paragraph, letter b) of the Decree, the Company has established a Supervisory Board, i.e. "a board established by the entity that has independent powers of initiative

and control” with “ the task of overseeing the functioning of and compliance with the models and ensuring they are duly updated”. Having a Supervisory Board in place is one of the key prerequisites for the entity to be exempted from administrative liability resulting from one of the predicate offences being committed.

11.2. Appointment and termination of Supervisory Board members

The Board of Directors passes a resolution to appoint the Supervisory Board, defining the number of members and its composition.

The Supervisory Board is a collective body made up of three members, of which at least one must be external.

The members of the Supervisory Board may be Company employees.

The Board of Directors selects the Chair of the Supervisory Board from among its members, assigning to said individual the task of completing the formalities in relation to calling the meetings, defining the agenda items, coordinating the work and holding the meetings. When the Board of Directors appoints the Supervisory Board, each of the nominees must be duly informed thereof and must formally accept their appointment. Upon the members accepting their appointments, the Board of Directors shall formally inform all levels of the Company thereof, by circulating an internal memo stating who the members are, as well as the powers, roles and responsibilities of the Supervisory Board and the reasons why it has been established.

Each member of the Supervisory Board must personally meet respectability and morality requirements and must have a professional profile that will allow them to effectively complete the tasks assigned to them, have completely impartial judgement and be able to guarantee authoritative and ethical conduct.

Respectability requirements must be checked by asking candidate members for a certificate from the criminal records office and, in the case of non-final sentences, for a dedicated written declaration issued by the candidate and attached to their curriculum vitae.

The Supervisory Board, as a whole, must have the following characteristics:

a) Expertise:

- knowledge of the organisation and the main company processes that are typical of the sector in which the Company operates;
- sufficient legal knowledge to be able to identify activities that are susceptible to offences being committed;
- the ability to identify and assess the impacts of reference legislation on the company;
- knowledge of the principles and techniques involved with the internal auditing activities carried out and knowledge of the techniques used by those carrying out “inspection” and “consultancy” work.

If the aforementioned requirements are not met by one or more members of the Supervisory Board, then the latter may avail itself of expert internal and/or external resources.

b) Personal qualities:

- unquestionable ethical standards;
- objective expertise.

A member shall be classed as ineligible/shall be removed from office if:

- he/she is declared legally incapacitated or bankrupt;
- he/she has been sentenced - even if not finally - for offences:
 - committed while holding office;
 - that significantly affect his/her professional conduct;
 - that involve being banned from holding public office, from management roles in companies and legal persons, from a profession or from an art, as well as being unable to enter into contracts with the Public Administration;
 - as referred to by Italian Legislative Decree no. 231/2001.

The Supervisory Board shall hold office for the number of financial years defined by the Board of Directors upon its appointment, and nonetheless for no longer than three years; this term of office may be renewed through a resolution passed by the Board of Directors.

The Supervisory Board shall cease to hold office as at the date of the shareholders' meeting called to approve the financial statements relating to the last year of its term of office, although it shall continue to temporarily carry out its tasks until the new members are appointed.

The resolution passed to appoint the members of the Supervisory Board must also state their remuneration for holding office, unless members are appointed from other bodies or departments whose duties are already mainly made up of overseeing the adequacy and correct functioning of the internal audit system, considering that the Model adopted forms an integral part of said internal audit system (as per the most authoritative legal theory).

The members of the Supervisory Board shall cease to hold office if they resign or if their term of office expires, or if they become incapacitated, die or are withdrawn for just cause.

The Board of Directors may remove members of the Supervisory Board for just cause, immediately notifying the Board of Statutory Auditors thereof. Just cause for withdrawal may include:

- serious failure to fulfil the duties of the Supervisory Board or unjustified inactivity;
- the Company being issued with prohibitory sanctions as a result of predicate offences being committed, facilitated by the inactivity of one or more members of the Supervisory Board;
- criminal proceedings being brought, with committal for trial, against a member of the Supervisory Board.

Members of the Supervisory Board may also be removed from office if:

- they no longer meet the respectability and professional morality requirements described above;
- one of the grounds for ineligibility arises, as referred to above.

If an acting member of the Supervisory Board resigns, is removed from office, becomes incapacitated or dies, then the Chair of the Supervisory Board must promptly inform the Board of Directors thereof, which shall then make the necessary decisions without delay.

If the Chair of the Supervisory Board resigns, becomes incapacitated, dies or is withdrawn, then the longest serving member shall temporarily take over, remaining in office until the date when the Board of Directors passes a resolution to appoint the new Chair of the Supervisory Board.

Each member of the Supervisory Board may withdraw from office at any time, as long as they provide at least one month's notice, providing the Board of Directors with written and reasoned notification thereof.

11.3. Eligibility requirements

Considering the specific nature of the tasks entrusted to the Supervisory Board and in accordance with the provisions of the Decree and the indications provided in the Confindustria guidelines, this internal body was chosen in such a way as to ensure that this delicate function meets the requirements required of it by the Decree, in terms of autonomy, independence, professionalism and continuity of action.

In particular, considering also the guidelines referred to above, the aforementioned requirements for the Supervisory Board may be broken down as follows;

➤ Autonomy and independence

As the Supervisory Board has to oversee the company's operations and the procedures applied, its position within the entity must be such as to guarantee that it is free from any interference or conditioning by anyone belonging to the entity and, in particular, by operations managers, especially considering that the role of the Supervisory Board is also to oversee the work of top management. When carrying out its work, the Supervisory Board therefore only reports to the Board of Directors. The Board of Directors provides the Supervisory Board with adequate financial resources, based on the proposal submitted by the latter, which said Supervisory Board may use for anything it needs to correctly complete its tasks (e.g. specialist consulting, business trips, etc.).

The autonomy and independence of each member of the Supervisory Board is defined based on the work carried out and the tasks assigned to them, identifying the people and things from which they must remain autonomous and independent in order to fulfil their duties. As a result, the members of the Supervisory Board must not:

- hold operational roles and/or take part in management activities within the Company. It should be specified that, for the purposes of the Model and Company activities, "operational activities" refer to any activity that may affect the Company's strategic or financial aspects. The work carried out by the Supervisory Board may not be reviewed by any other company body or department;
- be a spouse, relative or relative-in-law (up to the fourth degree of kinship) of the Company's directors;
- find themselves in any other situation of clear or potential conflict of interests.

The work carried out by the Supervisory Board may not be reviewed by any other company body or department.

The Supervisory Board is also autonomous from the point of view of its regulations, meaning it has the possibility to determine its own rules of conduct and procedures within the scope of the powers and duties defined by the Board of Directors.

➤ Professionalism

The members of the Supervisory Board must together possess adequate technical-professional expertise for the tasks that it is assigned to carry out. It is therefore necessary for the Supervisory Board to have members with adequate levels of professionalism in the fields of economics, law and the analysis, monitoring and management of the risks faced by the Company. In particular, the Supervisory Board must have the specialist technical skills necessary to carry out the required inspection and consulting work, such as expertise in statistical sampling, risk analysis and assessment

techniques, interview techniques and how to process questionnaires as well as the methodologies to identify fraud.

Once the members of the Supervisory Board have been chosen, upon appointing them, the Board of Directors checks whether they meet the aforementioned requirements by looking not only at their curricula but also at the official and specific declarations collected directly from the candidates themselves.

➤ Continuity of action

‘Continuity of action’ refers to the fact that the Supervisory Board’s activities must not be limited to mere regular meetings of its members, but rather they must be organised based on an action plan, involving ongoing monitoring and analysis of the entity’s prevention system. Therefore, in order to guarantee effective and efficient implementation of the Model, the Supervisory Board must ensure a significant, albeit not necessarily exclusive, level of commitment, in any case ensuring that it is able to effectively and efficiently carry out its institutional tasks.

11.4. Powers and duties of the Supervisory Board

The Supervisory Board has independent powers of initiative and control, allowing it to effectively complete the tasks provided for by this Model.

The Supervisory Board’s main powers are as follows:

- self-regulation and the ability to independently define its internal operating procedures;
- supervision and control.

The Supervisory Board is responsible for the following tasks, which it carries out within the limits of the powers specifically bestowed upon it and following the procedures specifically described by this Model:

- to continuously oversee that all addressees comply with the Model, as indicated in chapter 10 above;
- to continuously oversee that the Model is effective, in relation to its actual ability to prevent the relevant offences for the Company from being committed (as identified in chapter 6 of this section, above);
- to continuously oversee that the provisions of the Model are correctly implemented as part of the Company's operating procedures and practices and within its internal audit system;
- to gather information on any breaches of the provisions stated by the Model, also by creating an internal communication network;
- to coordinate with the other company bodies with powers of control;
- to propose disciplinary action to the employer following breaches of the Model;
- to oversee the status of updates to the Model and to suggest changes to it if there are any alterations to the Company's structure and organisation or to the legislation of reference.

As part of its work to oversee correct implementation of the Model adopted by the Company, the Supervisory Board has the following **powers and duties**, which it carries out in compliance with the law and respecting the individual rights of workers and the other persons concerned:

- a) to carry out and to have others carry out, under its direct supervision and responsibility, regular inspections based on an “inspection plan”, which the Supervisory Board itself defines on an annual basis;
- b) to access all Company information regarding the susceptible activities listed in the Special Part of this Model;

- c) to ask Company employees and, where necessary, Directors and the Board of Statutory Auditors for information or documentation regarding the susceptible activities, as referred to by the Special Part of this Model;
- d) to ask collaborators, consultants, agents or external representatives of the Company and, in general, all addressees of the Model, for information or documentation regarding the susceptible activities; said 'external' individuals are identified as per chapter 10 above and may be called upon as long as the obligation to respond to requests from the Supervisory Board is specifically provided for in their contracts or mandates with the Company;
- e) to regularly receive information from the heads of the departments concerned with the susceptible activities;
- f) to avail itself of the help and support of the Company's employees and other individuals to carry out its inspection work;
- g) to use external consultants for particularly complex issues or issues that require specific expertise;
- h) to receive reports of any breaches or suspected breaches of the Model, to ascertain whether or not they happened and, if necessary, to submit proposals to the body or department with the relative disciplinary power for the sanctions to be applied, as per chapter 12 of this section, below;
- i) to subject the Model to regular inspections and, if necessary, submit proposals for changes or updates to the Board of Directors;
- j) to coordinate, together with the Company's Chief Executive Officer, the definition of staff training programmes relative to the provisions of the Decree, the Code of Ethics and this Model;
- k) to regularly draw up, on at least a six-monthly basis, a written report to be submitted to the Board of Directors;
- l) to inform the Chair of the Board of Directors of any urgent and significant findings that have emerged as part of its activities;
- m) to identify and regularly update the types of legal relationships in place with parties external to the Company that should be addressees of the Model, having consulted with the Legal Department and the Head of the department to which the relative contracts or relationships refer;
- n) to carry out the specific supervisory activities entrusted to it by the Special Part of this Model. In particular, the Supervisory Board makes sure that the Company's procedures to implement the Model comply with the principles indicated in the Special Part.

The Supervisory Board is also regularly updated through reports sent by the departments involved with the susceptible activities, as identified in the risk self-assessment.

The Supervisory Board is always obliged to duly document all of the activities it carries out, as well as any initiatives and measures taken and any information and reports received; the purpose of this is also to ensure the complete traceability of any action taken and of the indications provided to the company departments involved.

The Supervisory Board carries out its work by ensuring and promoting rational and efficient cooperation with the Company departments involved in implementing the Model and, in particular, with the Company's existing control functions. To this end:

- it coordinates with the legal department and the Chief Executive Officer in its capacity as the internal point of reference for aspects relating to staff training and the drawing up of contractual clauses in the event of the Model being extended to individuals working on the basis of a mandate or on behalf of the Company or who act in the interest of the Company in relation to the susceptible activities referred to by the Special Part below. These individuals are identified by the Supervisory Board after consulting with the head of the department or company sector to which the contracts or relationships refer. Addressees in this category are selected based on the potential for relevant offences for the Company being committed, as identified in chapter 6 of this section, in relation to the susceptible activities defined in the Special Part below. For addressees in this category, the Supervisory Board also defines how the Model shall be shared and the procedures necessary to ensure compliance with the provisions stated therein, after consulting with the head of the

department or company sector to which the contracts or relationships refer. In any case, the contracts governing relationships with these external parties must include dedicated clauses indicating clear responsibilities in the event of failure to comply with this Model, as well as the obligation, if deemed appropriate, to respond to requests from the Company's Supervisory Board for information or documentation and the obligation to report any breaches of the Model, or of the procedures introduced to implement it, directly to the Company's Supervisory Board;

- it works with the Chief Executive Officer on aspects relating to interpretations of and updates to the Model's reference legislation;
- it coordinates with the company departments or sectors involved with at-risk activities, regarding all aspects involved with the implementation of operating procedures to implement the Model.

With reference to its **self-regulation** powers and its ability to define its internal operating procedures, the Supervisory Board is solely responsible for the following aspects, which it governs by independently adopting its own internal operating regulations:

- the tasks delegated to the Chair of the Supervisory Board;
- the procedures to call meetings;
- the procedures to hold meetings and to pass resolutions;
- the procedures to draw up minutes for the meetings;
- the procedures for archiving documentation;
- the procedures for carrying out inspection work;
- the procedures for communicating and directly liaising with company departments, as well as for gathering information, data and documentation from the company departments;
- the minimum number of meetings to be held each year;
- the procedures for coordinating with the Board of Directors and with the Board of Statutory Auditors, and how to take part in the meetings of said bodies, on the initiative of the Supervisory Board itself;
- the potential reasons to remove or withdraw a member of the Supervisory Board from office, other than or in addition to those already stated in the Model.

More specifically, with regard to the scheduling of meetings, the Regulations state that the Supervisory Board must indicatively meet on at least a quarterly basis and, in any case, whenever the Chair of the Supervisory Board deems this to be appropriate and/or if this is required as part of it carrying out its activities.

In order to further strengthen its autonomy and independence requirements, the Supervisory Board also has an adequate, periodic budget, over which it has independent powers of expenditure; this budget is approved in advance by the Board of Directors, based on the proposal put forward by the Supervisory Board itself, and may be justified per category or planned expenditure item. The annual budget is calculated in accordance with the procedures defined by the Supervisory Board Regulations. The expenses incurred by the Supervisory Board must always be documented and reported on annually, as an attachment to the report to the Board of Directors referred to by paragraph 11.5 of this section.

The Supervisory Board may use resources in excess of its expenditure allowance under exceptional and urgent circumstances, with the obligation in this case to inform the Board of Directors thereof in the next meeting.

The Supervisory Board does not have any management, decision-making, organisational or disciplinary powers relating to the Company's activities, and nor may such powers be attributed to it, not even for replacement purposes.

11.5. Information flows from and to the Supervisory Board

11.5.1. Information flows sent by the Supervisory Board

The Supervisory Board is obliged to directly inform the Board of Directors:

- whenever necessary, about any proposals to update and adapt the Model, to be carried out by introducing changes and integrations thereto;
- immediately, about any ascertained breaches of the Model, if said breaches may lead to the Company being held liable, so that appropriate measures can be taken. If it is necessary to take appropriate action against directors, the Supervisory Board is obliged to immediately inform the entire Board of Directors and the Board of Statutory Auditors thereof in writing. The Board of Directors will then interview the person in question, also in the presence of the Supervisory Board and the board of statutory auditors, collecting any statement from the person in question and carrying out any other checks deemed appropriate.

The Supervisory Board is also required to communicate with the Board of Directors:

- on a yearly basis, providing a plan of the inspection and control activities planned for the coming year;
- on a regular basis (at least every six months), submitting a report on the inspection and control activities completed and the relative results, as well as any critical issues that may have arisen regarding conduct or events that may have had an effect on the adequacy or on the efficiency of the Model itself.

The Supervisory Board reports to the Board of Statutory Auditors:

- immediately, about any ascertained breaches of the Model, if said breaches may lead to the Company being held liable;
- on a regular basis, sending the annual plan of activities and the periodic report prepared for the Board of Directors.

The aforementioned bodies may call a meeting of the Supervisory Board at any time, or the Supervisory Board may itself submit such a request, in order to report on the functioning of the Model or on specific situations.

11.5.2. Reports and information flows sent to the Supervisory Board

All Addressees of the Model, as defined in chapter 10 of this section, are obliged to cooperate to achieve full and effective implementation of the Model, also providing the necessary information for the Supervisory Board to be able to complete its supervision of the at-risk activities identified in the Special Part of this Model.

The information flows sent to the Supervisory Board are as follows:

- information flows defined by the Model, broken down into:
 - event-based information flows;
 - periodic information flows;
- information flows requested by the Supervisory Board, i.e. any information specifically requested by the Supervisory Board as it is deemed to be significant for its supervision of the efficiency, effectiveness and updating of the Company's Model.

11.5.3. Reporting any issues

Any employee wishing to report a breach - or suspected breach - of the Model can do so by contacting the Supervisory Board directly, using the channels referred to in this paragraph. All Addressees of the Model, as defined in chapter 10 of this section, who have a relationship with the Company may report any issues directly to the Supervisory Board.

The channels dedicated to such reports are as follows:

- a physical post box dedicated to the Supervisory Board, at the following address: MEKT S.p.A. Supervisory Board, Corso Stati Uniti 1/1, 35127, Padua (Italy);
- The Supervisory Board's e-mail address: odv231@mekt.mee.com.

By means of example, reports may refer to the following areas:

- notifications of suspected breaches, requests or alleged incitement to breach the law or regulations, the provisions stated by the Code of Ethics and internal procedures, with reference to the activities and services of interest to the Company (e.g. non-compliance with contractual clauses, fraud, improper use of company assets);
- notifications of suspected breaches of the Organisational Model pursuant to Italian Legislative Decree no. 231/01 adopted by the Company, also as a result of conduct at risk of offences and/or an offence listed by said Decree;
- requests for clarifications regarding the correctness of one's own conduct or the conduct of others, in order to fully comply with the Organisational and Management Model pursuant to Italian Legislative Decree no. 231/001 and with the Code of Ethics (e.g. violations of company policies and provisions, checks on suppliers' conduct);
- reports on conflicts of interests or potential conflicts of interests;
- notifications from third parties regarding alleged issues, wrongdoing and reprehensible actions;
- any other violations provided for by sector legislation.

Reports may be:

- 'open', i.e. when the person submitting the report provides their details therein;
- anonymous, i.e. when the person submitting the report does not provide their details.

Reports must provide detailed descriptions and must be based on precise and concurring facts: they must provide a clear and complete description of the facts surrounding the alleged breach, based on the information available to the person making the report.

The Company will not tolerate the reporting tool being misused in any way. More specifically, the person making the report must be aware that:

- reports must not contain accusations that said person knows to be false and, generally speaking, reports must not be used in order to offend and/or prejudice the person being reported on;
- reports must not be made if there is a total lack of evidence (e.g. documents or witness statements);
- reports do not ensure protection for the person submitting them should said person have contributed to the unlawful conduct;
- this shall be without prejudice to the criminal and civil liability of the person making the report should said report be calumnious or defamatory, should it be sent in bad faith or with gross negligence or should it be opportunistic and/or made solely for the purpose of harming the person being reported on; any other possible abuse or manipulation shall be punishable with disciplinary sanctions;
- reports must not refer to personal grievances, demands/requests referring to the employment relationship or the relationship held with hierarchical supervisors or colleagues, in relation to which reference should be made to applicable legislation regarding employment relationships.

All reports, including those sent using computerised tools (e.g. e-mail, possible hotlines), shall be automatically sent to the Company's Supervisory Board, which shall then analyse them in order to

check whether there is enough data and information to allow for an assessment into whether the report is substantiated.

When carrying out this analysis, the Supervisory Board shall work with the department that it believes to be most appropriate, depending on the area referred to by the report.

If, at the end of the analysis phase, there are not enough details or the facts referred to in the report are unfounded, then the Supervisory Board shall archive said report, specifying the reasons why.

Should the report prove to be substantiated, then the Supervisory Board shall be responsible for:

- a) coming to an agreement with the department involved with the report on any “action plan” necessary to remove the weaknesses highlighted, also ensuring that the implementation of any measures is duly monitored;
- b) coming to an agreement with the departments involved with the report on possible initiatives to protect the interests of the Company (e.g. legal action, suspension/cancellation of suppliers, etc.);
- c) immediately informing the individual with the power to impose disciplinary action, who shall in turn launch the disciplinary proceedings falling under their responsibility, in order to allow for any objections and the possible application of sanctions.

Information flows and reports are archived by the Supervisory Board in a dedicated database, in computerised and/or paper format. Data and information stored in the database shall be made available to parties other than the Supervisory Board, subject to the latter providing its prior authorisation, unless access is compulsory as required by law. The Supervisory Board defines the criteria and conditions for accessing the database, as well as how to store and protect the data and information contained therein, in compliance with applicable legislation.

It should also be noted that the Company has adopted the PR-50-12 Whistle-blowing procedure, the purpose of which is to allow members of the Company to submit requests, ask for advice and raise concerns without having to worry about retaliation, should they fear or suspect that regulations have been breached.

Keeping the identity of the person making the report confidential

The identity of the person making the report shall always be protected after the report has been made, with the exception of those cases in which the reports are found to be calumnious or defamatory, pursuant to the provisions of the Italian penal code or art. 2043 of the Italian Civil Code, or if anonymity is legally not allowed (e.g. criminal, tax or administrative investigations, inspections by supervisory bodies).

In order to protect Company employees who report offences and to guarantee the efficiency of the process, the Company shall see to the following, also by using the reporting system:

- ensuring the confidentiality of the identity of the company employee who sends the report;
- protecting the Supervisory Board against pressure and discrimination;
- protecting the confidentiality of the content of the report.

Without prejudice to the aforementioned exceptions, the identity of the person making the report may therefore not be revealed unless he/she gives his/her express consent, and all those who receive or are involved in managing the reports are obliged to protect the confidentiality of said information. Any breaches of this confidentiality obligation shall lead to disciplinary liability, without prejudice to any other forms of liability provided for by law.

With regard to disciplinary proceedings in particular, the identity of the person making the report may only be disclosed to the disciplinary authority and to the person being reported on if:

- the person making the report gives his/her consent;
- the objection to the disciplinary complaint proves to be fully or partially substantiated, and it is essential to know the identity of the person making the report in order to defend the person reported, as long as this circumstance is alleged and proven while giving evidence or as part of a defence statement.

Any form of direct or indirect retaliation or discriminatory measure against an employee making a report shall not be allowed or tolerated, where these may otherwise affect said employee's working conditions for reasons directly or indirectly linked to the report.

Discriminatory measures refer to unjustified disciplinary actions, harassment in the workplace and any other form of retaliation leading to a worsening of the individual's working conditions.

In particular, article 2, paragraph 2-quater, of the applicable legislation states that the person making the report cannot be dismissed as a means of retaliation or discrimination. Applicable legislation states that any changes to said person's duties are also not allowed, pursuant to art. 2103 of the Italian Civil Code, and nor are any other retaliatory or discriminatory measure taken against the person making the report.

If the Employer takes discriminatory measures against an individual, then said individual (whether in a senior or subordinate position) may lodge a complaint with the National Labour Inspectorate, as may the trade union representing him/her, in order for the necessary measures to be taken.

Under no circumstances may the aforementioned protection mechanisms be understood as a form of impunity for the person making the report, as a Company employee who makes a report in bad faith or with gross negligence may still be held criminally liable and subject to disciplinary action and may also be obliged to compensate any damages caused by such unlawful conduct (art. 2043 of the Italian Civil Code).

Individuals may also be held liable, as part of disciplinary proceedings or other competent proceedings, if they make clearly opportunistic reports and/or make reports for the sole purpose of harming the person being reported on or other individuals, as well as in any other case of misuse or intentional manipulation of the reporting system.

In this regard, it should be noted that sanctions shall be applied based on the Workers' Charter (Italian law no. 300/1970) and the single national collective bargaining agreements applicable, therefore differentiating between senior managers and employees.

System to protect the person being reported on

People who are reported on are protected against possible misuse of the Company's reporting system (e.g. unfounded reports made in bad faith or with gross negligence).

The Company also guarantees that the identity of the person being reported on shall remain confidential for the entire duration of the process to manage the report and shall protect said person against unjustified disciplinary action, harassment in the workplace and any other form of retaliation that may otherwise lead to unbearable working conditions, based solely on the mere presence of a report.

In accordance with the above, should it objectively become clear that the person making the report has misused the reporting system, then the person reported on shall be promptly informed so that he/she may easily exercise his/her right to defence and take any appropriate action against the person who made the report, as he/she deems fit.

12. Disciplinary system

Pursuant to article 6, paragraph 2, lett. e), and article 7, paragraph 4, lett. b) of the Decree, organisational, management and control models, whose adoption and implementation (together with the other situations provided for by the aforementioned articles 6 and 7) represent an essential condition in order for a company not to be held liable in the event of the offences referred to by the Decree being committed, may only be deemed to be effectively implemented if they provide for a disciplinary system that is able to punish any failure to comply with the measures stated therein.

The sanctions defined by the Model do not replace any other types of sanctions (criminal, administrative, civil and tax sanctions) that may apply to the same offence.

Disciplinary proceedings may therefore be launched, and the subsequent sanctions may be applied, regardless of whether criminal proceedings referring to the same conduct have been brought and/or concluded.

In fact, the rules of conduct imposed by the Model have been implemented by the Company on an autonomous basis, in order to allow for greater compliance with the legislative provisions to which the Company itself is also subject.

Moreover, the principles of timeliness and immediacy make it inadvisable to delay applying the due disciplinary sanctions while waiting for the outcome of proceedings that may have been brought before the court.

All addressees of the Model and of the Code of Ethics are subject to the disciplinary system, within the limits indicated by chapter 10 of this section, above.

The Company condemns any conduct that goes against the law and the provisions of the Model or of the Code of Ethics, even if said conduct was in the interest of the Company or with the intention of gaining an undue benefit for the Company.

12.1. General principles

Any suspected breach of the Model, or of the procedures introduced to implement the Model, no matter who the culprit, must be immediately reported in writing to the Supervisory Board, without prejudice to the procedures and measures falling under the responsibility of the party with the power to take disciplinary action.

All addressees of the Model, as referred to in chapter 10 of this section, above, are obliged to make such reports.

After receiving a report, the Supervisory Board must immediately carry out the necessary checks, while keeping the identity of the person against whom it is working strictly confidential. Sanctions are imposed by the company bodies in charge, based on the powers bestowed upon them by the articles of association or by the Company's internal regulations. After completing its assessments, the Supervisory Board informs the party with the power to take disciplinary action, which shall in turn launch the necessary procedure for the relative objections and possible application of sanctions.

12.2. Relevant conduct and assessment criteria

Breaches (or even only attempted breaches) of the provisions contained in the Model, in the procedures introduced to implement the Model and/or in the Group's Code of Ethics adopted by the Company may also be represented by omissive actions or behaviour, recognised as being relevant for the purposes of applying the relative sanction.

The following conduct constitutes a disciplinary offence:

- conduct, including omissions, clearly aimed at committing one of the offences listed by the Decree;
- violating, also through omissive behaviour and possibly also working with others, the principles of conduct stated in the Model, in the Company's operating procedures introduced to implement the Model and in the Code of Ethics;
- failure to carry out the due checks on susceptible activities or during the stages of said activities stated in the Model;
- drawing up untruthful documentation, also working with others;
- helping others to draw up untruthful documentation;
- removing, destroying or altering documentation referring to one of the Company's operating procedures in order to circumvent the checks provided for by the Model;
- failure to carry out checks into workers' health and safety as stated in the Model and in the relative procedures;
- failure to carry out environmental checks as stated in the Model and in the relative procedures;
- hindering or circumventing the supervisory activities of the Supervisory Board;
- hindering access to information and documentation requested by those in charge of checking procedures and decisions;

- any other conduct aimed at circumventing the monitoring system provided for by the Model;
- failure to oversee the work of subordinate individuals, with reference to the susceptible activities referred to by the Model;
- failure to report any breaches found to the Supervisory Board;
- failure to assess and failure to promptly take action regarding reports and indications requiring the Supervisory Board to intervene.

In order to select the correct sanction to be applied, based on the principles of proportionality and appropriateness, possible breaches are assessed according to their seriousness, based on the following assessment criteria:

- the extent to which the conduct was intentional;
- the degree of negligence, malpractice and carelessness;
- the number and significance of the principles of conduct stated by the Model that have been disregarded;
- the duties, role and professional profile of the employee, the management position held or the company body of which the culprit is a member;
- the presence of any previous disciplinary action;
- whether more than one breach was committed as a result of the conduct;
- whether several individuals were involved in the unlawful conduct;
- the presence of aggravating or mitigating circumstances;
- repetition within the last three years;
- the extent of the damages to the Company and to belongings and/or people, including customers/users;
- the seriousness of the damage to the Company's reputation.

Committing one of the offences stated by the Decree and hindering the work of the Supervisory Board shall always represent a serious breach, which may lead to the maximum disciplinary sanction being applied for each category of addressee referred to by paragraph 12 below.

Persistently repeating any of the aforementioned conduct shall constitute a serious breach and may lead to the maximum disciplinary sanction being applied for each category of addressee referred to by paragraph 12 below.

Other breaches shall be assessed by the company department with the power to take disciplinary action, taking into consideration the actual circumstances and the aforementioned assessment criteria, in order to apply a sanction that is both proportionate and dissuasive.

If several breaches have been caused by the same action or conduct, subject to different sanctions, then the most serious sanction shall apply.

12.3. Sanctions and disciplinary measures

The Model and the Code of Ethics constitute a set of standards with which the Company's employees must comply, also pursuant to the provisions of the applicable national collective bargaining agreement of reference [*in Italian, 'CCNL'*] concerning rules of conduct and disciplinary sanctions. Any breach of the provisions of the Model and of the Code of Ethics, or of the procedures introduced to implement them, shall therefore lead to disciplinary proceedings and application of the relative sanctions, pursuant to the law and the CCNL of reference. Compliance with the provisions of the Model and of the Code of Ethics is required for all types of employment contracts, including those in place with senior managers, employment contracts with progressive entitlements, part-time contracts and collaboration agreements classed as temporary work contracts.

Measures against employees

Violations of the single rules of conduct stated by the Code of Ethics and the Model by employees (blue-collar workers, white-collar workers and junior managers) shall represent a disciplinary offence,

with the effects provided for by law, by the procedures stated in article 7 of the Workers' Charter and any special legislation applicable and by the applicable national collective bargaining agreement. Applicable disciplinary action, in increasing order of seriousness, consists of the following measures, in line with the aforementioned regulations and in accordance with art. 8, seventh heading ('Company Relations') of the Fourth Section ("Rules on Individual Employment Relationships") of the CCNL for metalworkers:

a) verbal warnings:

- minor breach of the rules of conduct, of the procedures and/or protocols or of the principles of conduct stated in the Model and/or in the Code of Ethics;
- tolerance of minor breaches of the rules of conduct, of the procedures and/or protocols or of the principles of conduct stated in the Model and/or in the Code of Ethics by subordinate individuals or other members of staff.

A "minor breach" refers to cases when conduct did not involve malice or gross negligence and did not generate risks of sanctions or damages for the Company.

b) written warnings:

- negligent breach of the rules of conduct, of the procedures and/or protocols or of the principles of conduct stated in the Model and/or in the Code of Ethics;
- tolerance of negligent breaches of the rules of conduct, of the procedures and/or protocols or of the principles of conduct stated in the Model and/or in the Code of Ethics by subordinate individuals or other members of staff.

A "negligent breach" refers to cases when conduct did not involve malice or generated potential risks of sanctions or damages for the Company.

c) fines (up to a maximum of three hours' pay):

- repetition of faults punishable with written warnings;
- failure to comply with the rules of conduct stated by the Code of Ethics and by the Model for activities at risk of offences being committed;
- failure to report on or tolerating wrongdoing by subordinate individuals or by other members of staff pursuant to the Model;
- failure to respond to requests for information or documentation by the Supervisory Board, without justified reasons.

d) suspension from service and from pay (up to a maximum of three days):

- conduct that could be punishable with the aforementioned sanctions (warnings and fines), but is considered more serious due to objective circumstances or specific consequences or due to recidivism;
- a repeated or serious breach of the rules of conduct, of the procedures and/or protocols or of the principles of conduct stated in the Model and/or in the Code of Ethics;
- failure to report on or tolerating serious breaches of the procedures and/or protocols or of the principles of conduct stated in the Model and/or in the Code of Ethics by subordinate individuals or other members of staff;

- repeated failure to respond to requests for information or documentation by the Supervisory Board, without justified reasons.

e) dismissal, providing notice:

conduct that goes against the provisions of the Model and that is clearly aimed at committing an offence listed by the Decree, with said conduct representing an infringement of the rules and duties of the individual's role that is so serious that the employment relationship cannot continue, not even on a temporary basis.

f) immediate dismissal:

a serious breach (with malice or gross negligence) of the rules of conduct stated by the procedures and/or protocols, or of the principles of conduct stated in the Model and/or in the Code of Ethics, that is such as to cause serious moral or material damage to the Company and that does not allow for the employment relationship to continue, not even temporarily. For example, this could refer to conduct involving one or more offences or tortious acts that represent predicate offences, such as:

- intentional non-compliance with the Company rules issued pursuant to Italian Legislative Decree no. 231/2001 that is so serious, or that involves such malice, or has such criminal or pecuniary repercussions, or that involves such recidivism or is of such a specific nature, that it ruins the trust on which the employment relationship is based and does not allow for said relationship to continue, not even temporarily;
- intentionally performing improper acts or failing to perform necessary acts pursuant to the Model, resulting in the Company being sentenced by the court to pecuniary and/or prohibitory penalties for having committed the offences referred to by Italian Legislative Decree no. 231/2001;
- intentional infringement of the procedures and/or protocols or of the principles of conduct stated in the Model and/or in the Code of Ethics that is so serious, or that involves such malice, or has such technical, organisational, legal, economic or reputational repercussions, or that involves such recidivism or is of such a specific nature, that it ruins the trust on which the employment relationship is based and does not allow for said relationship to continue, not even temporarily.

Information about the introduction of any new provisions will be immediately shared with all workers, issuing an internal memo to explain the reasons behind said provisions and to summarise their content.

No disciplinary action can be taken against a worker without first challenging him/her about the alleged conduct and without having heard his/her defence.

With the exception of verbal warnings, charges must be made in writing and disciplinary action may not be imposed until after five days have passed, during which time the worker in question may present his/her justifications. The worker may present his/her justifications, also verbally, and may ask for support from a representative of the trade union of which he/she is a member, or to which he/she grants a mandate or from a company trade union representative in a senior management position.

The worker must be notified in writing of any measure being taken against him/her, with indication of the relative reasons, by the non-mandatory deadline of ten days from the deadline granted to the worker to present his/her justifications.

The disciplinary measures referred to above may be challenged by the worker through the trade union, in accordance with the contractual rules relating to disputes. Disciplinary action shall not be taken into account once two years have passed since it was imposed.

Measures against senior managers

If a senior manager, whose employment relationship is governed by the applicable CCNL (*national collective bargaining agreement*), breaches the single rules of conduct stated in the Code of Ethics or in the Model, then the most suitable disciplinary measures shall be taken, including, in the most serious cases, dismissal in accordance with the procedures stated by article 7 of Italian law no. 300/1970; this shall be without prejudice to the possibility for the Company to assess and put forward any compensation request for the damages caused as a result of said conduct, including damages caused by the court imposing the measures provided for in the Decree.

The applicable disciplinary sanctions, the severity of which depends on the intensity and any repetition of the conduct in question, may consist of:

- a) written warnings in the case of breaches deemed to be minor, considering the assessment criteria referred to in paragraph 12.2 above (for example, a certain degree of subjective guilt involving minor negligence, no previous disciplinary action and a lack of or particularly insignificant damage caused to the Company or to third parties, or the presence of specific, mitigating circumstances);
- b) fines, up to a maximum of one day's standard pay, if there is a breach leading to perceptible or significant exposure to the risk of one of the offences referred to in the Model being committed;
- c) suspension from duties or from pay, up to a maximum of three days in the case of the conduct referred to in point a) being repeated several times, or if the actions or omissions referred to by point b) are repeated;
- d) dismissal for just cause if conduct is clearly aimed at committing one of the offences listed by the Decree or, in any case, if there are breaches involving malice or gross negligence that is such as not to allow for the employment relationship to continue, not even temporarily. This sanction is also applied if application of the provisions and of the procedures and/or protocols and of the principles of conduct stated in the Model and/or in the Code of Ethics is intentionally hindered, in the areas falling under the individual's responsibility.

Measures against directors

If a director breaches the single rules of conduct stated in the Code of Ethics or in the Model, then the Supervisory Board shall inform the shareholders' meeting thereof, and the latter shall take all the appropriate measures provided for by applicable legislation. Depending on the seriousness of the conduct in question, applicable sanctions may include:

- a) a written reprimand recorded in the minutes, in the case of minor breaches;
- b) suspension from pay in the case of breaches that lead to perceptible exposure to the risk of one of the offences referred to by the Model being committed or if the conduct referred to by point a) above is repeated several times;
- c) removal from office, if the director's breach is so serious that it damages the Company's trust in him/her, as would be the case, for example, for infringements leading to one of the offences listed in Italian Legislative Decree no. 231/2001 being committed or that damage the Company and/or its Shareholders (in terms of its assets and in other ways).

Measures against statutory auditors

If a member of the Board of Statutory Auditors breaches the single rules of conduct stated in the Code of Ethics or in the Model, then the Supervisory Board must immediately inform the Board of Directors and all other members of the Board of Statutory Auditors thereof, by providing them with a written report. The Board of Directors shall interview the person in question, also in the presence of the

Supervisory Board, collecting any deductions of the latter and carrying out any further investigations deemed necessary. If the breach is serious enough to constitute just cause for terminating the relationship, the Board of Directors shall submit a proposal to the Shareholders' Meeting to remove the member of the Board of Statutory Auditors from office. If the conduct of the member in question damages the Company's trust in the reliability of the Board of Statutory Auditors as a whole, then the Shareholders' Meeting may remove and replace the entire Board.

Measures against external parties

If a third party (e.g. freelance workers, collaborators, partners, consultants, attorneys, service providers, suppliers of goods, contractors or subcontractors) breaches the single rules of conduct stated in the Code of Ethics, then the Supervisory Board shall immediately inform the Chair of the Board of Directors thereof through a written report, and the latter shall assess how to proceed to investigate the alleged breach in line with contractual provisions.

The Chair shall inform the Board of Directors, which may then take action depending on the type of contract, having first consulted with the head of the department to which the contract or relationship refers:

- a) requesting that the third party comply with the provisions of the Code of Ethics and with applicable legislation, stating that otherwise the below penalty shall be applied, or the contractual relationship with the Company shall be terminated;
- b) applying a penalty in proportion to the economic value of the contract and the seriousness of the breach;
- c) demanding compensation for any damages to the Company;
- d) in the case of serious or repeated breaches, the immediate withdrawal from the contract or the termination of the commercial agreements in place.

13. Communication and training

The Company undertakes to ensure that the Model is duly shared and that all employees and individuals with a management, administration and control role, now and in the future, are fully aware of it.

The Quality Control and Environmental/Safety Assurance department is responsible for sharing the Model, acting as the internal point of reference, using the means deemed most appropriate to do so, as long as they are able to prove that the Model has been duly received by the Company's members of staff.

The Model must be efficiently and clearly communicated to all stakeholders in a detailed way and any periodic updates must be provided following changes to the Model, in accordance with the provisions of the guidelines.

In particular, in order to be efficient, communications must:

- be sufficiently detailed based on the hierarchical level of the recipient;
- use the most appropriate communication channels that are easily accessible for recipients in order to provide information in good time, allowing recipients to use any notifications in an effective and efficient way;
- have quality content (including all the necessary information), be made on time, be up to date (containing the most recent information available) and accessible.

Therefore, the actual communication plan relating to the essential components of this Model must be developed using the most suitable means of communication available to the company, in line with the aforementioned principles; for example, this may include sending e-mails, publishing a notice on the company's intranet site or pinning it up on the notice board.

The Supervisory Board defines the ways to inform external parties and other addressees about the Model, especially suppliers and consultants, whom the departments in charge of the relative institutional relationships provide with contractual clauses, under the supervision of the Supervisory Board; these contractual clauses provide information about the policies and procedures adopted by the Company based on the Model and the Code of Ethics, as well as stating the consequences of any conduct that does not comply with said documents with reference to the contractual relationships in place.

Where possible, specific clauses are included in contracts, aimed at governing such consequences, including termination clauses and the right to withdrawal in the event of any conduct that goes against the rules in the Code of Ethics and/or in the Model.

The Company provides specific training programmes, with the aim of ensuring that all employees and members of company bodies are fully aware of the Decree, the Code of Ethics and the Model.

In-house training is a key tool for the Model to be effectively implemented and for the principles of conduct and control adopted by the Company to be shared among all stakeholders, in order to reasonably prevent the offences referred to by the Decree that may lead to administrative liability for the entity.

Attending these training courses is compulsory.

Training courses must meet the following requirements:

- they must be adequate for the role held by the individuals within the organisation (new recruit, white-collar worker, junior manager, senior manager, etc.);
- the content must differ depending on the activities carried out by the individuals within the Company (at-risk activities, audit activities, activities that are not at risk, etc.);
- the frequency of the training must be in line with the changes to which the Company's external context is subject, as well as with the learning capacity of staff and the extent to which management is committed to providing credible training;
- during classroom-style training sessions, the speaker must be an expert and must be authoritative, in order to ensure quality content and to underline how important this training is for the Company and for the strategies that it intends to pursue;
- during e-learning, the correct use of computerised content must be checked using dedicated assessment tools (e.g. online questionnaires);
- attending the training courses must be compulsory and dedicated monitoring mechanisms must be defined in order to make sure that everyone participates;
- monitoring tools must be provided for, able to check participants' level of learning.

Training shall differ, in terms of both content and how it is provided, depending on:

- addressees' roles based on the Company's organisational chart;
- whether addressees hold a senior position or are subordinate individuals;
- the level of risk of the department or sector in which they work, with a particular focus on those working in areas of susceptible activities, as referred to by the Special Part of this Model;
- the information and monitoring obligations arising from implementation of this Model.

Training may be classed as general or specific. In particular, general training must be provided to all levels of the organisation, in order to allow all individuals to learn about:

- the aforementioned content of Italian Legislative Decree no. 231/2001 regarding the administrative liability of entities, and the offences and sanctions stated therein;
- the principles of conduct provided for by the Code of Ethics;
- the disciplinary system;
- the guidelines and principles of control contained in the internal operating procedures and standards of conduct;
- the powers and responsibilities of the Supervisory Board;
- the internal reporting system regarding the Supervisory Board.

Specific training, on the other hand, is provided to all individuals whose activities mean that they require specific expertise in order to manage the unique aspects of said activities, such as members of staff dealing with susceptible activities. These individuals must receive both general and specific training. Specific training must allow the recipient to:

- be aware of the potential risks involved with his/her activities, as well as of the specific control mechanisms that need to be activated in order to duly monitor said activities;
- learn about techniques to assess the risks involved with his/her activities as well as the precise methods to carry out said activities and/or the procedures governing them, in order to develop the ability to identify any anomalies and report them in the right way and according to time frames that allow for possible corrective actions to be implemented.

For first-level blue-collar and white-collar workers, training may be provided as part of other training initiatives and may be limited to the general principles of the Decree and the specific procedures that refer to any at-risk activities involved with their work.

The Company undertakes to ensure that the training provided to the addressees of the Model is constantly updated, in relation to any significant changes to said document or to reference legislation. Training shall be provided by internal audit experts and by legal experts specialised in the regulations imposed by the Decree. The content of the training programmes is checked by the Company's Supervisory Board. Training initiatives may also be completed through distance learning or using IT systems (e-learning).

The Supervisory Board makes sure that training programmes are provided in a timely manner.

Staff training for the purposes of implementing the Model is managed by the Legal Department and by the Chief Executive Officer, acting as the internal point of reference in collaboration with the Supervisory Board.